(F009)

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EXCISE

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[redacted] (b)(8)

COMMERCE FOR 4520/IEP/NESA/ONE/TOM SAMS
TREASURY FOR BILL MCFADDEN
E.O. 12356: DECL: OADR
TAGS: EFIN, JO
SUBJECT: [redacted] INFORMATION ON PETRA BANK (b)(8)
REF: [redacted] B) AMMAN 5165✓

1. (C) THE FOLLOWING REPORT PROVIDES INFORMATION [redacted] ON PETRA BANK, ITS PRINCIPALS, AND ITS SISTER ORGANIZATIONS. FURTHER TO REFTEL B, PARAGRAPHS 7 TO 13 DISCUSS THE EFFECTS ON PETRA BANK OF THE UNEXCO AFFAIR AND RUMORS THAT THE COLLAPSE OF JORDAN'S SECOND LARGEST MONEY CHANGER SALIBA AND RIZK SHUKRI RIZK EXCHANGE COMPANY IN MAY 1985 SEVERELY WEAKENED PETRA BANK. (b)(8)

2. (U) PETRA BANK IS A JORDANIAN PUBLIC SHAREHOLDING COMPANY WHICH WAS ESTABLISHED IN 1977. THE BANK BEGAN

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OPERATIONS WITH 12 BRANCHES BUT BY 1985 HAD EXPANDED TO ENCOMPASS 22 BRANCHES IN JORDAN AND THE OVERSEAS SUBSIDIARY PETRA BANK INTERNATIONAL WHICH WAS ESTABLISHED IN 1982 IN WASHINGTON, D.C. CHAIRMAN AND DIRECTOR GENERAL OF PETRA BANK IS DR. AHMAD CHALABI. HIS BROTHER, FORMER MINISTER RUSHDI EL CHALABI IS A MEMBER OF THE BOARD OF DIRECTORS. IN TERMS OF ASSETS, PETRA BANK IS RANKED THIRD AMONG JORDAN'S COMMERCIAL BANKS.

3. (U) TABLES I THROUGH IV BELOW PROVIDE FINANCIAL INFORMATION ON PETRA BANK WITH DATA TAKEN FROM THE BANK'S 1981 AND 1983 ANNUAL REPORTS AND ITS 1985 BALANCE SHEET (THE ANNUAL REPORT FOR 1985 HAS NOT YET BEEN (#) DISCREPANCIES IN COLUMN TOTALS ARE DUE TO ROUNDING ERROR.

TABLE I

PETRA BANK

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PAGE 1

DEPARTMENT OF STATE A/CDC/MR
REVIEWED by JSH DATE 7/28/88
( ) DECLASSIFY
(X) RELEASE ( ) DECLASSIFY in PART
( ) EXCISE ( ) Non-responsive info
( ) DENY FOI, EO or PA exemptions (b)(1)(b)(6)
T3 authority to:
( ) CLASSIFY to _____, OADR
( ) DOWNGRADE to ( ) S or ( ) C, OADR

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ASSETS BY CATEGORY & YEAR
(IN THOUSANDS OF JORDANIAN DINARS)

ASSETS	1981	1983	1985
CASH ON HAND & IN BANKS	25,596	66,737	84,171
PORTFOLIO SECURITIES:			
GOVT. BONDS	5,492	12,786	15,812
LOCAL SHARES/BONDS	1,859	5,454	7,006
DISCOUNTED BILLS	11,555	22,808	37,026
OVERDRAFT ACCOUNTS AND LOANS	33,135	58,555	85,794
SYNDICATED LOANS	2,709	3,051	3,193

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NET FIXED ASSETS	1,549	1,993	5,739
OTHER ASSETS	1,322	4,479	3,935
TOTAL ASSETS	83,315	185,949	242,676

TABLE II
PETRA BANK
CONTRA ACCOUNTS BY CATEGORY & YEAR
(IN THOUSANDS OF JORDANIAN DINARS)

CONTRA ACCOUNTS:	1981	1983	1985
LETTERS OF CREDITS	17,503	10,756	17,188
LETTERS OF GUARANTEE	16,799	26,433	34,159
OTHER LIABILITIES	12,508	14,035	14,795
TOTAL CONTRA ACCOUNTS	46,810	51,279	66,142

TABLE III
PETRA BANK
LIABILITIES BY CATEGORY & YEAR
(IN THOUSANDS OF JORDANIAN DINARS)

LIABILITIES	1981	1983	1985
DEMAND DEPOSITS	20,138	34,544	N/A
IN JD'S	N/A	N/A	20,705

NOTE BY OC/T: (#) OMISSION IN PARA 3. A CORRECTION WILL FOLLOW.
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TO SECSTATE WASHDC 4556
USDOC WASHDC
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C O N F I D E N T I A L SECTION 02 OF 05 AMMAN 05974
PASS TO FEDERAL RESERVE BOARD FOR W. RYBACK, DEPUTY
ASSOCIATE DIRECTOR
COMMERCE FOR 4520/IEP/NESA/ONE/TOM SAMS
TREASURY FOR BILL MCFADDEN
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IN OTHER CURRENCIES	N/A	-	N/A	-	21,435
SAVINGS AND TERM DEPOSITS:	-	40,606	-	106,011	- N/A
IN JD'S	-	N/A	-	N/A	- 92,738
IN OTHER CURRENCIES	N/A	-	N/A	-	31,098
BANK DEPOSITS IN JORDAN	-	11,961	-	27,306	- 39,320
DUE TO BANKS:					
LOCAL BANKS/JD'S	N/A	-	N/A	-	6,880
FOREIGN BANKS/OTHER CURRENCIES	-	N/A	-	N/A	- 4,658
CASH COLLATERALS	4,398	-	6,497	-	8,207
GENERAL PROVISIONS	580	-	1,412	-	2,386

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OTHER LIABILITIES	1,525	-	2,081	-	5,111
PAID UP CAPITAL	3,200	-	3,200	-	5,200
LEGAL RESERVES	202	-	534	-	1,938
OTHER RESERVES & RETAINED EARNINGS:	906	-	N/A	-	N/A
VOLUNTARY RESERVES	N/A	-	1,197	-	304
SPECIAL RESERVES	N/A	-	290	-	1,420
RETAINED EARNINGS	N/A	-	2,478	-	1,365
TOTAL LIABILITIES	63,315	-	185,949	-	242,575

NOTE: N/A - INDICATES "NOT APPLICABLE", I.E., THAT CATEGORY WAS NOT IDENTIFIED IN BALANCE SHEET FOR THAT PARTICULAR YEAR.

- - - TABLE IV
- - - PETRA BANK

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STATEMENT OF APPROPRIATION & PROFIT & LOSS
BY CATEGORY & YEAR
(IN THOUSANDS OF JORDANIAN DINARS)

	1981	1983	1985
INCOME:			
INTEREST RECEIVED	5,089	10,912	12,970
SERVICE CHARGES & COMMISSION	1,397	2,588	3,541
FOREIGN EXCHANGE	391	859	379
OTHER OPERATING INCOME	51	526	760
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TOTAL INCOME	6,927	14,885	21,750
EXPENSES:			
INTEREST PAID	3,852	8,746	14,771
GENERAL AND ADMINISTRATIVE EXPENSES	1,537	3,134	4,532
DEPRECIATION & OTHER COSTS	5,104	802	978
TOTAL EXPENSES	5,900	12,682	22,285
NET PROFIT FOR THE CURRENT YEAR	1,028	2,205	1,464
RETAINED EARNINGS BROUGHT FORWARD	63	1,816	1,514
TOTAL RETAINED EARNINGS PROPOSED TO BE APPROPRIATED AS FOLLOWS:	1,091	4,020	3,079
LEGAL RESERVES	103	220	146
VOLUNTARY RESERVE	206	441	293

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TO SECSTATE WASHDC 4569
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DEPTTREAS WASHDC
C O N F I D E N T I A L SECTION 03 OF 05 AMMAN 05974
PASS TO FEDERAL RESERVE BOARD FOR M. RYBACK, DEPUTY
ASSOCIATE DIRECTOR
COMMERCE FOR 4520/IEP/NESA/ONE/TOM SAMS
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SPECIAL RESERVE	N/A	-	290	-	532
INCOME TAX PROVISION	138	-	245	-	150
PROVISION FOR BOARD MEMBERS	17	-	17	-	17
UNIVERSITY FEES	5	-	30	-	27
DIVIDENDS AT 12 PCT	N/A	-	322	-	452
RETAINED EARNINGS	574	-	2,478	-	1,366
TOTAL - -	1,091	-	4,020	-	3,079

-

4. (U) PETRA BANK INTERNATIONAL IS A SUBSIDIARY OF PETRA BANK AND IS 70 PERCENT OWNED BY PETRA BANK AND 30 PERCENT

BY OTHER SHAREHOLDERS. DATA ON PETRA BANK INTERNATIONAL'S PERFORMANCE DURING 1985 IS NOT AVAILABLE, BUT PETRA BANK'S 1984 FINAL REPORT NOTED THAT IN ITS FIRST FULL YEAR OF OPERATION, PETRA BANK INTERNATIONAL'S ASSETS HAD GROWN FROM USD 23 MILLION TO USD 72 MILLION. PETRA BANK INTERNATIONAL'S PERFORMANCE IN THAT YEAR WELL EXCEEDED ALL EXPECTATION. PETRA BANK IS ALSO LINKED TO

MAJOR FOREIGN CORRESPONDENT BANKS: MEBCO IN GENEVA AND MANUFACTURERS HANOVER TRUST IN NEW YORK.

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5. (U) PETRA BANK HAS THREE KNOWN SISTER ORGANIZATIONS IN JORDAN. THE CAIRO-AMMAN BANK IS A JORDANIAN SHAREHOLDING COMPANY WHICH WAS ESTABLISHED IN 1960. IN 1985, IT HAD 15 BRANCHES IN JORDAN AND TOTAL ASSETS OF JD 129,268,813. THE JORDAN GULF BANK IS A LIMITED JORDANIAN SHAREHOLDING COMPANY WHICH WAS ESTABLISHED IN 1977. IN 1985, IT HAD 23 BRANCHES IN JORDAN AND TOTAL

ASSETS OF JD 96,187,181. THE FINANCE AND CREDIT CORPORATION (FCC) IS A SAVINGS AND FINANCIAL INSTITUTION WHICH WAS ESTABLISHED IN 1982. THE FCC OPERATES A SINGLE HEADQUARTERS BRANCH IN AMMAN AND ITS TOTAL ASSETS IN 1985 WERE JD 38,229,540.

6. (C) THOUGH SOME LINKS BETWEEN PETRA BANK AND THESE SISTER ORGANIZATIONS ARE HARD TO DISCERN, IT IS CLEAR THAT THE THREE ARE CONTROLLED BY THE CHALABI FAMILY IN SOME WAY, THROUGH A COMBINATION OF SHARE OWNERSHIP, INTERLOCKING DIRECTORSHIPS AND THE OCCUPATION OF KEY MANAGERIAL POSITIONS. FOR EXAMPLE, THE CHALABI FAMILY CONTROLS 24 PERCENT OF THE CAIRO-AMMAN BANK, AND DR. AHMED CHALABI IS THE CHAIRMAN OF

THE BOARD OF THE FINANCE AND CREDIT CORPORATION.

7. (C) SO FAR, 1988 HAS NOT BEEN A VERY GOOD YEAR FOR PETRA BANK. THE UNITED EXCHANGE COMPANY'S STING OF FIRST CHICAGO BANK SPARKED RUMORS OF PETRA BANK'S INVOLVEMENT IN COMPLICITY WITH PETRA BANK INTERNATIONAL. A POPULAR VERSION OF THE STORY ATTRIBUTED THE STING TO A JOINT

EFFORT BY PETRA BANK AND PETRA BANK INTERNATIONAL TO TRANSFER UNEXCO'S BAD DEBT FROM THEMSELVES TO FIRST CHICAGO BANK.

8. (U) THE FOLLOWING IS AN UNOFFICIAL EMBASSY TRANSLATION OF AN EXCERPT FROM A PETRA BANK SPREAD ON ITS 1985 BALANCE SHEET PUBLISHED MAY 11, 1988 IN LOCAL ARABIC NEWSPAPERS: QUOTE: RECENTLY, THE MEDIA REPORTED THE STORY OF THE U.S. BANK FIRST CHICAGO AND ONE OF ITS CLIENTS IN JORDAN. THE JORDANIAN CLIENT DEPOSITED IN HIS ACCOUNT IN FIRST CHICAGO BANK CHECKS DRAWN ON PETRA BANK INTERNATIONAL IN WASHINGTON. WHEN THE CHECKS ARRIVED AT OUR SUBSIDIARY IN WASHINGTON, OUR SUBSIDIARY RETURNED THEM, DUE TO INSUFFICIENT FUNDS IN THE CLIENT'S ACCOUNT. FIRST CHICAGO BANK HAS TAKEN ACTION TO RECOVER THE FUNDS FROM THE CLIENT IN THE WAY THE BANK HAS SEEN FIT. FOR YOUR INFORMATION, HOWEVER, THE CHECKS WERE RETURNED BY PETRA BANK INTERNATIONAL WITHIN THE LEGAL TIME LIMIT AND ACCORDING TO BANKING RULES AND REGULATIONS. UNQUOTE.

9. (C) ALLEGATIONS OF PETRA BANK'S

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C O N F I D E N T I A L SECTION 04 OF 05 AMMAN 05974
PASS TO FEDERAL RESERVE BOARD FOR W. RYBACK, DEPUTY
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TREASURY FOR BILL MCFADDEN
E.O. 12356: DECL: OADR
TAGS: EFIN, JO
SUBJECT: REQUEST FOR INFORMATION ON PETRA BANK
INVOLVEMENT IN THE UNEXCO AFFAIR HAD BEGUN
TO DIE DOWN WHEN IN MAY 1986, THE SALIBA
AND RIZK SHUKRI RIZK EXCHANGE COMPANY,
JORDAN'S SECOND LARGEST SUCH COMPANY,
SUDDENLY COLLAPSED. SINCE PETRA BANK IS
KNOWN TO BE A BANK LESS HESITANT THAN
OTHERS IN JORDAN TO TAKE ON MONEY CHANGERS
AS CLIENTS, SPECULATION GREW THAT PETRA
BANK WAS WEAKENED SEVERELY BY THE RIZK
COLLAPSE. THESE RUMORS PROMPTED A RUN ON
PETRA BANK. THE SITUATION WAS AGGRAVATED
EVEN MORE WHEN, IN MID-MAY, PRINT MEDIA IN
ISRAEL (JERUSALEM POST) AND FRANCE (LE
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FIGARO) RAN UNFOUNDED REPORTS OF PETRA
BANK'S COMPLETE COLLAPSE. DR. AHMED
CHALABI HAS SINCE PUBLICALLY REQUESTED
APOLOGIES FROM THE NEWSPAPERS AND HAS
THREATENED LEGAL ACTION AGAINST LE
FIGARO. LE FIGARO HAS RETRACTED ITS STORY.

12. [redacted] (b)(4)

[redacted]

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11.

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12.

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TAGS: EFIN, JO
SUBJECT: REQUEST FOR INFORMATION ON PETRA BANK
13. [redacted] (b)(4)

[redacted]

4. (U) PLEASE ADVISE IF ADDITIONAL

INFORMATION ON PETRA BANK, ITS SISTER
ORGANIZATIONS, OR RECENT EVENTS AFFECTING
THEM IS REQUIRED. GNEHM
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